

**59-22-302 Formula for inflation adjustments.**

The formula for calculating inflation adjustments, which is referenced in Subsection 59-22-202(1), is set forth in Exhibit C of the Master Settlement Agreement as follows, with the exception of Subsection (7) which is omitted:

Exhibit C

Formula For Calculating Inflation Adjustment

- (1) Any amount that, in any given year, is to be adjusted for inflation pursuant to this Exhibit, the "Base Amount," shall be adjusted upward by adding to such Base Amount the Inflation Adjustment.
- (2) The Inflation Adjustment shall be calculated by multiplying the Base Amount by the Inflation Adjustment Percentage applicable in that year.
- (3) The Inflation Adjustment Percentage applicable to payments due in the year 2000 shall be equal to the greater of 3% or the CPI%. For example, if the Consumer Price Index for December 1999, as released in January 2000, is 2% higher than the Consumer Price Index for December 1998, as released in January 1999, then the CPI% with respect to a payment due in 2000 would be 2%. The Inflation Adjustment Percentage applicable in the year 2000 would thus be 3%.
- (4) The Inflation Adjustment Percentage applicable to payments due in any year after 2000 shall be calculated by applying each year the greater of 3% or the CPI% on the Inflation Adjustment Percentage applicable to payments due in the prior year. Continuing the example in subsection (3) above, if the CPI% with respect to a payment due in 2001 is 6%, then the Inflation Adjustment Percentage applicable in 2001 would be 9.1800000%, an additional 6% applied on the 3% Inflation Adjustment Percentage applicable in 2000, and if the CPI % with respect to a payment due in 2002 is 4%, then the Inflation Adjustment Percentage applicable in 2002 would be 13.5472000%, an additional 4% applied on the 9.1800000% Inflation Adjustment Percentage applicable in 2001.
- (5) "Consumer Price Index" means the Consumer Price Index for All Urban Consumers as published by the Bureau of Labor Statistics of the U.S. Department of Labor, or other similar measures agreed to by the Settling States and the Participating Manufacturers.
- (6) The "CPI%" means the actual total percent change in the Consumer Price Index during the calendar year immediately preceding the year in which the payment in question is due.

Renumbered and Amended by Chapter 229, 2000 General Session